

# 2021

interim  
report

## chief executive officer's report

For the six month period  
ended 30 September 2011

NZF announces its interim results for the six month period ended 30 September 2011, which show an unaudited loss attributable to equity holders of \$11.081 million compared to an unaudited loss attributable to equity holders of \$0.784 million for the six month period ended 30 September 2010.

The interim results for the six month period ended 30 September 2011 comprise:

- An unaudited loss after taxation of \$0.381 million from continuing operations compared to an unaudited profit after taxation of \$0.528 million from continuing operations for the six month period ended 30 September 2010.
- An unaudited loss after taxation of \$10.700 million from discontinued operations (2010: \$1.346 million loss after taxation), which has been

recognised as a direct result of NZF Money Limited being placed into receivership on 22 July 2011.

Market conditions have continued to remain extremely difficult and challenging during the six month period ended 30 September 2011.

NZF's Home Loans Division recorded an unaudited loss before taxation of \$0.155 million for the six month period ended 30 September 2011 compared to an unaudited profit before taxation of \$1.694 million for the six month period ended 30 September 2010.

The profitability of NZF's Home Loans Division was adversely affected by a reduction in gains on interest rate swap contracts from \$0.654 million to \$0.107 million and an increase in net impairment losses from

\$0.017 million to \$0.821 million; the latter of which included losses relating to specific circumstances e.g. leaky buildings, which were not covered under reinsurance contracts.

Increased competition from the major trading banks for home loan mortgage products, combined with delays and uncertainties that have been encountered in NZF being able to announce a new business partner for its Home Loans Division, have also resulted in the Home Loan mortgage portfolio reducing at an accelerated rate to \$169.594 million as at 30 September 2011 (2010: \$205.863 million) and has had an adverse impact on profitability.

On 27 September 2011, NZF announced that it had entered into a conditional Sale and Purchase Agreement with Resimac NZ Home Loans Limited

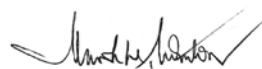
(RML), which would see RML acquire an 80% majority shareholding in NZF's Home Loans Division.

As a result of the receivership of NZF Money Limited and the likelihood that RML would require the Home Loan mortgage portfolio to be migrated onto the RML IT operating platform, the decision was made to not complete the Ultradata IT project, which has resulted in an impairment loss of \$0.878 million being recognised in the six month period ended 30 September 2011.

On 12 December 2011, the sale of an 80% majority shareholding in NZF's Home Loans Division to RML was approved by Ordinary Resolution at a Special Meeting of Shareholders. On 22 December 2011, all conditions precedent relating to the sale had been satisfied, following

which settlement of the transaction took place. Cash sourced from the sale is to be held for liquidity and investment purposes, which will be given further consideration as part of a more in depth strategic review to be carried out early in the New Year.

The Directors have resolved that a dividend will not be declared for this reporting period.



**Mark Thornton**  
Chief Executive Officer  
23 December 2011

# consolidated income statement

for the six month period ended 30 September 2011

	30-Sep 2011 (6 Months) Unaudited \$'000	31-Mar 2011 (12 Months) Audited \$'000	30-Sep 2010 (6 Months) Unaudited \$'000
Interest income	6,959	15,358	7,592
Interest expense	<b>(6,288)</b>	(13,800)	(6,712)
<b>Net interest income</b>	<b>671</b>	1,558	880
Fee and commission income	2,788	5,107	2,733
Fee and commission expense	<b>(2,040)</b>	(3,692)	(1,981)
<b>Net fee and commission income</b>	<b>748</b>	1,415	752
Gains on financial instruments at fair value	107	723	654
Other income	189	141	99
<b>Total operating income</b>	<b>1,715</b>	3,837	2,385
Net impairment losses	<b>(1,699)</b>	(310)	(17)
Operating expenses and staff costs	<b>(1,401)</b>	(3,157)	(1,609)
<b>(Loss)/profit before income tax</b>	<b>(1,385)</b>	370	759
Income tax benefit/(expense)	1,004	(281)	(231)
<b>(Loss)/profit from continuing operations</b>	<b>(381)</b>	89	528
<b>(Loss) from discontinued operations (after tax)</b>	<b>(10,700)</b>	(4,969)	(1,346)
<b>(Loss)/profit for the period</b>	<b>(11,081)</b>	(4,880)	(818)
<b>Attributable to:</b>			
Non-controlling interest	-	(113)	(34)
Equity holders of the Company	<b>(11,081)</b>	(4,767)	(784)
	<b>(11,081)</b>	(4,880)	(818)
<b>Earnings per share:</b>			
	<b>Cents Per Share</b>	<b>Cents Per Share</b>	<b>Cents Per Share</b>
<b>Basic earnings per share:</b>			
From continuing operations	<b>(0.35)</b>	0.11	0.69
From discontinued operations	<b>(9.73)</b>	(6.20)	(1.71)
Total basic earnings per share	<b>(10.08)</b>	(6.09)	(1.02)
<b>Diluted earnings per share:</b>			
From continuing operations	<b>(0.35)</b>	0.11	0.69
From discontinued operations	<b>(9.73)</b>	(6.20)	(1.71)
Total diluted earnings per share	<b>(10.08)</b>	(6.09)	(1.02)

# consolidated statement of comprehensive income

for the six month period ended 30 September 2011

	30-Sep 2011 (6 Months) Unaudited \$'000	31-Mar 2011 (12 Months) Audited \$'000	30-Sep 2010 (6 Months) Unaudited \$'000
<b>(Loss)/profit for the period</b>	<b>(11,081)</b>	<b>(4,880)</b>	<b>(818)</b>
<b>Other comprehensive income:</b>			
Gains/(losses) on cash flow hedges arising during the period	487	(686)	(590)
Income tax relating to components of other comprehensive income	-	-	-
<b>Other comprehensive income for the period, net of tax</b>	<b>487</b>	<b>(686)</b>	<b>(590)</b>
<b>Total comprehensive income for the period, net of tax</b>	<b>(10,594)</b>	<b>(5,566)</b>	<b>(1,408)</b>
<b>Attributable to:</b>			
Non-controlling interest	-	(113)	(34)
Equity holders of the Company	<b>(10,594)</b>	<b>(5,453)</b>	<b>(1,374)</b>
	<b>(10,594)</b>	<b>(5,566)</b>	<b>(1,408)</b>

# consolidated statement of financial position

as at 30 September 2011

	30-Sep 2011 Unaudited \$'000	31-Mar 2011 Audited \$'000	30-Sep 2010 Unaudited \$'000
<b>Assets</b>			
Cash and cash equivalents	4,451	5,656	4,094
Loans and advances to customers	168,517	227,096	248,156
Trade and other receivables	1,184	1,201	1,291
Current tax assets	97	100	298
Property, plant and equipment	258	313	450
Intangible assets	9,105	9,105	9,721
Deferred tax asset	856	2,193	1,361
Other assets	1,931	3,015	3,409
<b>Total assets</b>	<b>186,399</b>	<b>248,679</b>	<b>268,780</b>
<b>Liabilities</b>			
Trade and other payables	1,818	1,809	2,425
Derivative liabilities held for risk management	875	1,468	1,441
Loans and borrowings	183,955	235,006	251,853
Other liabilities	85	136	266
<b>Total liabilities</b>	<b>186,733</b>	<b>238,419</b>	<b>255,985</b>
<b>Net assets</b>	<b>(334)</b>	<b>10,260</b>	<b>12,795</b>
<b>Equity</b>			
Share capital	9,525	9,525	7,503
Retained earnings	(9,138)	1,943	5,926
Hedge accounting reserve	(724)	(1,211)	(1,115)
<b>Total equity attributable to equity holders of the company</b>	<b>(337)</b>	<b>10,257</b>	<b>12,314</b>
Non-controlling interest	3	3	481
<b>Total equity</b>	<b>(334)</b>	<b>10,260</b>	<b>12,795</b>
	<b>Cents Per Share</b>	<b>Cents Per Share</b>	<b>Cents Per Share</b>
<b>Net tangible assets per share</b>	<b>(8.58)</b>	<b>0.25</b>	<b>2.91</b>

# consolidated statement of changes in equity

for the six month period ended 30 September 2011

	Attributable to Equity holders of the Company				Non-Controlling Interest \$'000	Total Equity \$'000
	Share Capital \$'000	Retained Earnings \$'000	Hedge Accounting Reserve \$'000	Total \$'000		
<b>Balance as at 1 April 2010</b>	7,503	6,710	(525)	13,688	518	14,206
Total comprehensive income	-	(784)	(590)	(1,374)	(34)	(1,408)
Cash drawn by non-controlling interests in MPMH Limited	-	-	-	-	(3)	(3)
Equity dividends	-	-	-	-	-	-
<b>Balance as at 30 September 2010</b>	<b>7,503</b>	<b>5,926</b>	<b>(1,115)</b>	<b>12,314</b>	<b>481</b>	<b>12,795</b>
<b>Balance as at 1 April 2010</b>	7,503	6,710	(525)	13,688	518	14,206
Total comprehensive income	-	(4,767)	(686)	(5,453)	(113)	(5,566)
Issue of ordinary shares on conversion of unsecured capital notes	2,031	-	-	2,031	-	2,031
Share issue expenses	(9)	-	-	(9)	-	(9)
Non-controlling interest reduction on sale of shares in Finance Direct Limited	-	-	-	-	(399)	(399)
Cash drawn by non-controlling interests in MPMH Limited	-	-	-	-	(3)	(3)
Equity dividends	-	-	-	-	-	-
<b>Balance as at 31 March 2011</b>	<b>9,525</b>	<b>1,943</b>	<b>(1,211)</b>	<b>10,257</b>	<b>3</b>	<b>10,260</b>
<b>Balance as at 1 April 2011</b>	9,525	1,943	(1,211)	10,257	3	10,260
Total comprehensive income	-	(11,081)	487	(10,594)	-	(10,594)
Equity dividends	-	-	-	-	-	-
<b>Balance as at 30 September 2011</b>	<b>9,525</b>	<b>(9,138)</b>	<b>(724)</b>	<b>(337)</b>	<b>3</b>	<b>(334)</b>

## Nature and Purpose of Reserves

### *Hedge Accounting Reserve*

The hedge accounting reserve comprises the effective portion of the cumulative net change in the fair value of cash flow hedging instruments related to hedged transactions that have not yet settled.

# consolidated statement of cash flows

for the six month period ended 30 September 2011

	30-Sep 2011 (6 Months) Unaudited \$'000	31-Mar 2011 (12 Months) Audited \$'000	30-Sep 2010 (6 Months) Unaudited \$'000
<b>Cash Flows from Operating Activities</b>			
Interest received	7,683	20,646	10,819
Interest paid	(6,774)	(17,011)	(8,768)
Fee and commission income received	2,600	6,193	3,280
Other income received	190	163	112
Payments to suppliers and employees	(3,623)	(10,271)	(5,509)
Taxation (paid)/received	(27)	242	47
Net decrease in loans and advances to customers	31,757	29,230	15,149
Increase in loans to jointly controlled entities	(75)	(50)	-
Net increase in franchisee loans	(4)	(14)	(16)
Net employee loan (advances)/repayments	(2)	3	1
<b>Net Cash Flow from Operating Activities</b>	<b>31,725</b>	<b>29,131</b>	<b>15,115</b>
<b>Cash Flows used in Investing Activities</b>			
Net cash outflow on sale of investment in Finance Direct Limited	-	(193)	-
Net cash outflow on receivership of NZF Money Limited	(428)	-	-
Purchase of property, plant and equipment	(50)	(20)	(23)
Sale of property, plant and equipment	-	11	-
<b>Net Cash Flow from Investing Activities</b>	<b>(478)</b>	<b>(202)</b>	<b>(23)</b>
<b>Cash Flows from Financing Activities</b>			
Net decrease in term loans	(16,794)	(82,857)	(87,985)
Net (decrease)/increase in secured mortgage backed notes	(11,032)	84,618	93,345
Net decrease in secured debenture stock	(4,626)	(40,368)	(31,701)
Share issue expenses	-	(9)	-
Cash drawn by non-controlling interests	-	(3)	(3)
<b>Net Cash Flow from Financing Activities</b>	<b>(32,452)</b>	<b>(38,619)</b>	<b>(26,344)</b>
<b>Net decrease in cash held</b>	<b>(1,205)</b>	<b>(9,690)</b>	<b>(11,252)</b>
<b>Cash balance at start of the period</b>	<b>5,656</b>	<b>15,346</b>	<b>15,346</b>
<b>Cash balance at end of the period</b>	<b>4,451</b>	<b>5,656</b>	<b>4,094</b>
<b>Made up as follows:</b>			
Cash and cash equivalents	4,451	5,656	4,094

## Major Non-Cash Transactions

On 15 March 2011, \$2,030,750 of unsecured capital notes were converted into issued ordinary share capital and \$18,019,250 of unsecured capital notes were rolled over and extended for a further 5 year term maturing on 15 March 2016.



# reconciliation of net loss with cash flows from operating activities

for the six month period ended 30 September 2011

	30-Sep 2011 (6 Months) Unaudited \$'000	31-Mar 2011 (12 Months) Audited \$'000	30-Sep 2010 (6 Months) Unaudited \$'000
<b>Loss for the period</b>	<b>(11,081)</b>	(4,880)	(818)
<b>Add:</b>			
Depreciation of property, plant and equipment	45	184	94
Loss on sale of property, plant and equipment	19	21	10
(Decrease)/increase in collective and specific loan impairment allowances	<b>(461)</b>	1,865	(541)
Bad debts written off	<b>1,754</b>	3,896	2,225
Impairment loss on investments in subsidiary undertakings	<b>10,145</b>	690	-
<b>Deduct:</b>			
Net decrease in loans and advances to customers	<b>31,757</b>	29,230	15,149
Net increase in derivative assets and liabilities held for risk management	<b>(106)</b>	(723)	(654)
Decrease/(increase) in accounts receivable and other assets	<b>940</b>	388	(88)
(Decrease)/increase in accounts payable and other liabilities	<b>(18)</b>	(407)	30
(Increase)/decrease in current tax assets	<b>(910)</b>	260	64
Increase in deferred tax asset	<b>(359)</b>	(1,393)	(356)
<b>Net Cash Flow from Operating Activities</b>	<b>31,725</b>	29,131	15,115

## 1. STATEMENT OF COMPLIANCE

The consolidated financial statements for the Group have been prepared in accordance with Generally Accepted Accounting Practice in New Zealand ("NZ GAAP") and the requirements of the Companies Act 1993 and the Financial Reporting Act 1993. They comply with New Zealand Equivalents to International Financial Reporting Standards ("NZ IFRS") and other applicable financial standards, as appropriate for profit-oriented entities. The consolidated financial statements comply with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

## 2. BASIS OF PREPARATION

The consolidated financial

statements for the Group have been prepared on the basis of historical cost, as modified by the fair value measurement of available for sale financial assets, financial instruments held at fair value through profit or loss and all derivative contracts. Cost is based on the fair values of the consideration given in exchange for assets.

The Group meets the definition of a Financial Institution under NZ IFRS 7 Financial Instruments: Disclosures and is subject to the specific additional disclosure requirements applicable to Financial Institutions defined in Appendix E of NZ IFRS 7.

The Consolidated Income Statement discloses the net interest income, net fee and commission income and other income in line with the Income Statement

presentation used by other Financial Institutions.

The Consolidated Statement of Financial Position discloses assets and liabilities in order of their liquidity in line with the Statement of Financial Position presentation used by other Financial Institutions.

The consolidated financial statements for the Group are presented in New Zealand dollars (\$), which is the functional currency of all entities within the Group. All financial information presented in New Zealand dollars has been rounded to the nearest thousand dollars (\$'000).

The Group prepares its consolidated financial statements in accordance with NZ IFRS, the application of which often requires judgements to

be made by management when formulating the Group's financial position and results. Under NZ IFRS, the Directors are required to adopt those accounting policies most appropriate to the Group's circumstances for the purpose of presenting fairly the Group's financial position, financial performance and cash flows.

In determining and applying accounting policies, judgement is often required in respect of items where the choice of specific policy, accounting estimate or assumption to be followed could materially affect the reported results or net asset position of the Group should it later be determined that a different choice would be more appropriate.

Accounting policies are selected and applied in a manner which ensures the resulting financial information satisfies the concepts of relevance and reliability, thereby ensuring that the substance of the underlying transactions or other events is reported. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable in the circumstances, the results of which form the basis of making the judgements. Actual results may differ from these estimates.

The estimates and underlying assumptions, and bases of which, are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

The accounting policies used in the preparation of these consolidated financial statements are consistent with those used in the interim financial statements for the six month period ended 30 September 2010 and in the audited financial statements for the year ended 31 March 2011.

These interim financial statements have been prepared in accordance with NZ IAS 34 covering Interim Financial Reporting, and should be read in conjunction with the 2011 Annual Report.

### 3. SEGMENT REPORTING

For management purposes, the Group is organised into the

following operating segments:

#### **Home Loans Division**

The Home Loans Division comprises NZF Mortgages Limited, NZF Securitisation Limited, NZF Homeloans Limited, NZF Mortgages Warehouse A Trust, NZF Mortgages Warehouse B Trust and NZF Mortgages 2010-1 Trust (100% controlled entities). The principal activity of the Home Loans Division is to provide residential mortgage customers with bank competitive Home Loans, which are secured by first mortgage security.

#### **Financial Services Distribution**

NZF Group Limited, New Zealand Mortgage Finance Limited (100% subsidiary undertaking) and MPMH Limited and Subsidiary Undertakings (50% jointly controlled entity) have developed their own extensive broker networks to distribute a range of financial services products to clients, including Mortgages, Insurances, Personal Loans and Kiwisaver. Whilst the financial services business of all three Companies are managed and measured independently from one another, their results have been aggregated and shown as a single operating segment, as they have similar economic characteristics. These include the nature of the products and services provided to clients, the types and classes of clients to whom services are provided, the distribution methods employed and the regulatory environment within which all three businesses operate.

#### **Licensed Real Estate Business**

The Licensed Real Estate Business is operated by Mike Pero Real Estate

Limited, which is a 50% jointly controlled entity of MPMH Limited and Subsidiary Undertakings. Information disclosed relating to the Licensed Real Estate Business represents the Group's effective 25% shareholding in Mike Pero Real Estate Limited.

#### **Property Finance Division**

The Property Finance Division comprised the Company's 100% investment in NZF Money Limited, a company which specialised in providing property finance, which was placed into receivership on 22 July 2011.

#### **Consumer Finance Division**

The Consumer Finance Division comprised the Company's 70% investment in Finance Direct Limited, a consumer based finance company, which was sold to the existing minority shareholder on 30 March 2011.

Management monitors the results of its operating segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss. Income taxes are managed by operating segment due to the number of separate legal and tax entities involved.

The principal activity of NZF Group Limited is to act as the management and holding company for the NZF Group of Companies. This includes holding the investments in subsidiary undertakings and jointly controlled entities, managing Group cash flow requirements, Corporate Governance, Financial Reporting, complying with the NZX Listing Rules and dealing with

Investor relations. NZF Group Limited is funded by Ordinary Share Capital, Retained Earnings and \$18,019,250 of Unsecured Capital Notes which are due to mature on 15 March 2016. Interest is payable on the Unsecured Capital Notes at the rate of 6.00% per annum, quarterly in arrears. This interest, together with other central operating expenses, assets and liabilities, are not allocated by management to the operating segments when making decisions about resource allocation and performance assessment.

The following information has been prepared on a consistent basis for all three accounting periods in accordance with NZ IFRS 8 Operating Segments. In order to provide a full reconciliation of the Group's total revenue, total profit/(loss), total assets and total liabilities for each accounting period, any revenue, costs, assets and liabilities of NZF Group Limited that are not allocated by management to the operating segments have been shown within Management & Holding Activities. Goodwill and intangible assets have also been allocated by management to the operating segments to which those assets relate.

Inter-segment revenues, assets and liabilities are eliminated on consolidation. No revenue from transactions with a single external customer or counterparty amounted to 10% or more of the Group's total revenue in 2010 or 2011.

All business activities are carried out within New Zealand so there is no geographic segment reporting to management.

## Continuing operations:

30 September 2011 (6 Months)

	Unaudited					
	Total	Eliminations and Adjustments	Home Loans Division	Financial Services Distribution	Licensed Real Estate Business	Management & Holding Activities
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Interest income</b>						
From external customers	6,959	-	6,951	7	-	1
From other segments	-	(79)	-	-	-	79
	<u>6,959</u>	<u>(79)</u>	<u>6,951</u>	<u>7</u>	<u>-</u>	<u>80</u>
Interest expense	(6,288)	79	(5,809)	(13)	(5)	(540)
<b>Net interest income</b>	<u>671</u>	<u>-</u>	<u>1,142</u>	<u>(6)</u>	<u>(5)</u>	<u>(460)</u>
<b>Fee and commission income</b>						
From external customers	2,788	-	217	2,443	128	-
From other segments	-	(28)	-	28	-	-
	<u>2,788</u>	<u>(28)</u>	<u>217</u>	<u>2,471</u>	<u>128</u>	<u>-</u>
Fee and commission expense	(2,040)	28	(435)	(1,529)	(104)	-
<b>Net fee and commission income</b>	<u>748</u>	<u>-</u>	<u>(218)</u>	<u>942</u>	<u>24</u>	<u>-</u>
Gains on financial instruments at fair value	107	-	107	-	-	-
Other income	189	-	-	33	156	-
<b>Total operating income</b>	<u>1,715</u>	<u>-</u>	<u>1,031</u>	<u>969</u>	<u>175</u>	<u>(460)</u>
Net impairment losses	(1,699)	-	(821)	-	-	(878)
Depreciation and amortisation	(59)	-	(6)	(53)	-	-
Other operating expenses and staff costs	(1,342)	-	(359)	(675)	(158)	(150)
<b>(Loss)/profit before income tax</b>	<u>(1,385)</u>	<u>-</u>	<u>(155)</u>	<u>241</u>	<u>17</u>	<u>(1,488)</u>
Income tax benefit/(expense)	1,004	-	43	(70)	(5)	1,036
<b>(Loss)/profit for the period</b>	<u>(381)</u>	<u>-</u>	<u>(112)</u>	<u>171</u>	<u>12</u>	<u>(452)</u>
<b>Total assets</b>	<u>186,399</u>	<u>(17,075)</u>	<u>174,747</u>	<u>9,824</u>	<u>232</u>	<u>18,671</u>
<b>Total liabilities</b>	<u>186,733</u>	<u>(8,696)</u>	<u>175,047</u>	<u>1,532</u>	<u>256</u>	<u>18,594</u>

## Continuing operations:

31 March 2011 (12 Months)  
Audited

	Total	Eliminations and Adjustments	Home Loans Division	Financial Services Distribution	Licensed Real Estate Business	Management & Holding Activities
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Interest income</b>						
From external customers	15,358	-	15,300	10	-	48
From other segments	-	(192)	-	-	-	192
	15,358	(192)	15,300	10	-	240
Interest expense	(13,800)	192	(12,044)	(31)	-	(1,917)
<b>Net interest income</b>	1,558	-	3,256	(21)	-	(1,677)
<b>Fee and commission income</b>						
From external customers	5,107	-	235	4,872	-	-
From other segments	-	(71)	-	71	-	-
	5,107	(71)	235	4,943	-	-
Fee and commission expense	(3,692)	71	(825)	(2,938)	-	-
<b>Net fee and commission income</b>	1,415	-	(590)	2,005	-	-
Gains on financial instruments at fair value	723	-	723	-	-	-
Other income	141	-	-	141	-	-
<b>Total operating income</b>	3,837	-	3,389	2,125	-	(1,677)
Net impairment losses	(310)	-	(310)	-	-	-
Depreciation and amortisation	(163)	-	(19)	(144)	-	-
Other operating expenses and staff costs	(2,994)	-	(549)	(1,744)	(50)	(651)
<b>Profit/(loss) before income tax</b>	370	-	2,511	237	(50)	(2,328)
Income tax (expense)/benefit	(281)	-	(767)	(98)	14	570
<b>Profit/(loss) for the period</b>	89	-	1,744	139	(36)	(1,758)
<b>Total assets</b>	214,353	[24,302]	204,256	10,006	43	24,350
<b>Total liabilities</b>	214,793	[10,849]	204,931	1,865	79	18,767

## Continuing operations:

30 September 2010 (6 Months)

Unaudited

	Total	Eliminations and Adjustments	Home Loans Division	Financial Services Distribution	Licensed Real Estate Business	Management & Holding Activities
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Interest income</b>						
From external customers	7,592	-	7,559	5	-	28
From other segments	-	(109)	-	-	-	109
	7,592	(109)	7,559	5	-	137
Interest expense	(6,712)	109	(5,828)	(16)	-	(977)
<b>Net interest income</b>	880	-	1,731	(11)	-	(840)
<b>Fee and commission income</b>						
From external customers	2,733	-	111	2,622	-	-
From other segments	-	(48)	-	48	-	-
	2,733	(48)	111	2,670	-	-
Fee and commission expense	(1,981)	48	(467)	(1,562)	-	-
<b>Net fee and commission income</b>	752	-	(356)	1,108	-	-
Gains on financial instruments at fair value	654	-	654	-	-	-
Other income	99	-	-	99	-	-
<b>Total operating income</b>	2,385	-	2,029	1,196	-	(840)
Net impairment losses	(17)	-	(17)	-	-	-
Depreciation and amortisation	(81)	-	(10)	(71)	-	-
Other operating expenses and staff costs	(1,528)	-	(308)	(937)	-	(283)
<b>Profit/(loss) before income tax</b>	759	-	1,694	188	-	(1,123)
Income tax (expense)/benefit	(231)	-	(510)	(56)	-	335
<b>Profit/(loss) for the period</b>	528	-	1,184	132	-	(788)
<b>Total assets</b>	220,283	(20,545)	208,162	10,186	-	22,480
<b>Total liabilities</b>	223,068	(5,378)	205,801	2,042	-	20,603

Discontinued operations:	30 September 2011 (6 Months)			31 March 2011 (12 Months)		
	Total	Unaudited		Total	Audited	
		Property Finance Division	Consumer Finance Division		Property Finance Division	Consumer Finance Division
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Interest income</b>						
From external customers	602	602	-	5,599	4,936	663
From other segments	17	17	-	37	37	-
	<b>619</b>	<b>619</b>	<b>-</b>	<b>5,636</b>	<b>4,973</b>	<b>663</b>
Interest expense	(464)	(464)	-	(3,281)	(3,010)	(271)
<b>Net interest income</b>	<b>155</b>	<b>155</b>	<b>-</b>	<b>2,355</b>	<b>1,963</b>	<b>392</b>
<b>Fee and commission income</b>						
From external customers	5	5	-	1,078	489	589
From other segments	-	-	-	-	-	-
	<b>5</b>	<b>5</b>	<b>-</b>	<b>1,078</b>	<b>489</b>	<b>589</b>
Fee and commission expense	(4)	(4)	-	(115)	(17)	(98)
<b>Net fee and commission income</b>	<b>1</b>	<b>1</b>	<b>-</b>	<b>963</b>	<b>472</b>	<b>491</b>
Other income	-	-	-	22	-	22
<b>Total operating income</b>	<b>156</b>	<b>156</b>	<b>-</b>	<b>3,340</b>	<b>2,435</b>	<b>905</b>
Net impairment losses	(472)	(472)	-	(5,831)	(5,485)	(346)
Depreciation and amortisation	(5)	(5)	-	(42)	(35)	(7)
Other operating expenses and staff costs	(472)	(472)	-	(3,402)	(2,338)	(1,064)
Loss on cessation of operations	(10,145)	(10,145)	-	(690)	-	(690)
<b>Loss before income tax</b>	<b>(10,938)</b>	<b>(10,938)</b>	<b>-</b>	<b>(6,625)</b>	<b>(5,423)</b>	<b>(1,202)</b>
Income tax benefit	238	238	-	1,656	1,521	135
<b>Loss for the period</b>	<b>(10,700)</b>	<b>(10,700)</b>	<b>-</b>	<b>(4,969)</b>	<b>(3,902)</b>	<b>(1,067)</b>
<b>Total assets</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>34,326</b>	<b>34,326</b>	<b>-</b>
<b>Total liabilities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>23,626</b>	<b>23,626</b>	<b>-</b>
<b>Cash flows from discontinued operations:</b>						
<b>Net cash flows from operating activities</b>	<b>3,919</b>	<b>3,919</b>	<b>-</b>	<b>26,469</b>	<b>24,138</b>	<b>2,331</b>
<b>Net cash flows from investing activities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>12</b>	<b>12</b>	<b>-</b>
<b>Net cash flows from financing activities</b>	<b>(3,760)</b>	<b>(3,760)</b>	<b>-</b>	<b>(39,072)</b>	<b>(36,014)</b>	<b>(3,058)</b>
<b>Net cash flows</b>	<b>159</b>	<b>159</b>	<b>-</b>	<b>(12,591)</b>	<b>(11,864)</b>	<b>(727)</b>

**Discontinued operations:**

	<b>30 September 2010 (6 Months)</b>		
	<b>Total</b>	<b>Unaudited Property Finance Division</b>	<b>Consumer Finance Division</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
<b>Interest income</b>			
From external customers	3,170	2,723	447
From other segments	-	-	-
	<u>3,170</u>	<u>2,723</u>	<u>447</u>
Interest expense	(2,160)	(1,975)	(185)
<b>Net interest income</b>	<u>1,010</u>	<u>748</u>	<u>262</u>
<b>Fee and commission income</b>			
From external customers	610	242	368
From other segments	-	-	-
	<u>610</u>	<u>242</u>	<u>368</u>
Fee and commission expense	(70)	(10)	(60)
<b>Net fee and commission income</b>	<u>540</u>	<u>232</u>	<u>308</u>
Other income	13	-	13
<b>Total operating income</b>	<u>1,563</u>	<u>980</u>	<u>583</u>
Net impairment losses	(1,667)	(1,522)	(145)
Depreciation and amortisation	(23)	(19)	(4)
Other operating expenses and staff costs	(1,789)	(1,198)	(591)
	<u>(1,916)</u>	<u>(1,759)</u>	<u>(157)</u>
<b>Loss before income tax</b>			
Income tax benefit	570	527	43
<b>Loss for the period</b>	<u>(1,346)</u>	<u>(1,232)</u>	<u>(114)</u>
<b>Total assets</b>	<u>48,497</u>	<u>43,569</u>	<u>4,928</u>
<b>Total liabilities</b>	<u>32,917</u>	<u>30,199</u>	<u>2,718</u>
<b>Cash flows from discontinued operations:</b>			
<b>Net cash flows from operating activities</b>	20,216	18,420	1,796
<b>Net cash flows from investing activities</b>	-	-	-
<b>Net cash flows from financing activities</b>	(32,601)	(29,375)	(3,226)
<b>Net cash flows</b>	<u>(12,385)</u>	<u>(10,955)</u>	<u>(1,430)</u>

**4. SUBSEQUENT EVENTS**

On 27 September 2011, the Company announced that it had entered into a conditional Sale and Purchase Agreement with Resimac NZ Home Loans Limited (RML), which would see RML acquire an 80% majority shareholding in NZF's Home Loans Division.

On 12 December 2011, the proposed sale was approved by Ordinary Resolution at a Special Meeting of Shareholders. On 22 December 2011, all conditions precedent relating to the sale had been satisfied, following which settlement of the transaction took place. The impact of this sale on the consolidated operations of NZF Group Limited was contained within the Notice of Special Meeting and Independent Report prepared by Campbell MacPherson Limited that was sent to Shareholders on 28 November 2011. Following the sale, the Company now owns a 20% minority shareholding in the Home Loans Division; the results of which will now be accounted for as a discontinued operation and will cease to be included in the consolidated financial statements of NZF Group Limited with effect from this date.

The Directors are not aware of any other matters or circumstances since the end of the reporting period, not otherwise dealt with within this report or financial statements, that have significantly or may significantly affect the consolidated operations of NZF Group Limited.



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